

	A	B	C	D	E	F
421		MRTTSCMARS1	TRRS SLATER MARIETTA	SC	GREENVILLE	
422		TRRSSCMARS1	TRAVELERS REST MAIN	SC	GREENVILLE	
423		GNVLSCCH24E	GNVL CHURCHILL	SC	GREENVILLE	
424		GNVLSCCR27E	GNVL CRESTWOOD	SC	GREENVILLE	
425		GNVLSCWPRS1	GNVL WARE PLACE	SC	GREENVILLE	
426		PDMTSCESRS1	PIEDMONT MAIN	SC	GREENVILLE	
427		GNVLSCDT23F	GREENVILLE D&T	SC	GREENVILLE	
428		GNVLSCESRS1	GNVL MCALISTER RD	SC	GREENVILLE	
429		GNVLSCWE26E	GNVL WEST	SC	GREENVILLE	
430		GNVLSCWR28F	GNVL WOODRUFF RD	SC	GREENVILLE	
431		GRERSCMA87F	GREER MAIN	SC	GREENVILLE	
432		BLRGSCMARS1	BLUE RIDGE MAIN	SC	GREENVILLE	
433		LBRTSCMA84E	LIBERTY MAIN	SC	GREENVILLE	
434		LYMNSCES43E	LYMAN MAIN	SC	GREENVILLE	
435		PCKNSCES87E	PICKENS MAIN	SC	GREENVILLE	
436		SPBGSCBS57E	SPBG BOILING SPRINGS	SC	GREENVILLE	
437		FNVLSCMARS1	SPBG FINGERVILLE	SC	GREENVILLE	
438		SPBGSCCV57E	SPBG CONVERSE	SC	GREENVILLE	
439		CWPNSCMARS1	COWPENS MAIN	SC	GREENVILLE	
440		SPBGSCW50E	SPBG UNIVERSITY	SC	GREENVILLE	
441		SPBGSCMA57E	SPBG MAIN	SC	GREENVILLE	
442		SPBGSCWV57E	SPBG WESTVIEW	SC	GREENVILLE	
443		PCLTSCMARS1	PACOLET MAIN	SC	GREENVILLE	
444		WMTNSCPW84F	PELZER-WMTN MAIN	SC	GREENVILLE	
445		MMPHTNMA84T/DS0	MMPH-MAIN	TN	MEMPHIS	
446		MMPHTNOARS5	MMPH-OAKVILLE	TN	MEMPHIS	
447		MMPHTNSLRS5	MMPH-SOUTHLAND	TN	MEMPHIS	
448		GDJTNNMARS0	GRAND JUNCTION	TN	MEMPHIS	

	A	B	C	D	E	F
449		CRVLTNMADS0	COLLIERVILLE	TN	MEMPHIS	
450		CVTNTNMTDS1	COVINGTON	TN	MEMPHIS	
451		HRNNMSDSDS0	HERNANDO	MS	MEMPHIS	
452		MMPHTNBADS0	MMPH-BARTLETT	TN	MEMPHIS	
453		MMPHTNCKDS0	MMPH-CHEROKEE	TN	MEMPHIS	
454		ARTNTNMTRS5	ARLINGTON	TN	MEMPHIS	
455		GTWSTNSWRS5	MMPH-SOUTHWIND	TN	MEMPHIS	
456		MMPHTNCTDS0	MMPH-CHICKASAW	TN	MEMPHIS	
457		MMPHTNELDS0	MMPH-EASTLAND	TN	MEMPHIS	
458		MMPHTNFRDS0	MMPH-FRAYSER	TN	MEMPHIS	
459		MMPHTNGTDS0	MMPH-GERMANTOWN	TN	MEMPHIS	
460		MMPHTNHPRS5	MMPH-HUMPHREYS	TN	MEMPHIS	
461		SOHNMSDCRS0	MMPH-SOUTHAVEN	MS	MEMPHIS	
462		MMPHTNMACG0	MMPH-MAIN	TN	MEMPHIS	
463		MMPHTNMACG1	MMPH-MAIN	TN	MEMPHIS	
464		MMPHTNMTCG0	MMPH-MIDTOWN	TN	MEMPHIS	
465		MMPHTNOADS1	MMPH-OAKVILLE	TN	MEMPHIS	
466		MMPHTNSLDS0	MMPH-SOUTHLAND	TN	MEMPHIS	
467		MMPHTNSTDS0	MMPH-SOUTHSIDE	TN	MEMPHIS	
468		MMPHTNWWCG0	MMPH-WESTWOOD	TN	MEMPHIS	
469		SOVLTNMTDS0	SOMERVILLE	TN	MEMPHIS	
470		MSCWTNMARS0	MOSCOW	TN	MEMPHIS	
471		BRHMALHW0GT/DS0	BHAM-HOMEWOOD	AL	BIRMINGHAM	
472		ALBSALMADS0	ALABASTER	AL	BIRMINGHAM	
473		CALRALMARS0	CALERA	AL	BIRMINGHAM	
474		CLMBALMARS0	COLUMBIANA	AL	BIRMINGHAM	
475		BRHMALCHDS0	BHAM-CAHABA HGTS	AL	BIRMINGHAM	
476		BRHMALFSDS0	BHAM-FIVE POINTS	AL	BIRMINGHAM	

	A	B	C	D	E	F
477		BRHMALOMDS0	BHAM-OAK MT	AL	BIRMINGHAM	
478		CHLSALMARS0	CHELSEA	AL	BIRMINGHAM	
479		VNCNALMARS0	VINCENT	AL	BIRMINGHAM	
480		BRHMALOXDS0	BHAM-OXMOOR	AL	BIRMINGHAM	
481		BRHMALRCDS0	BHAM-RIVERCHASE	AL	BIRMINGHAM	
482		BRHMALVA82E	BHAM-VALLEY	AL	BIRMINGHAM	
483		BRHMALWE92E	BHAM-WEST END	AL	BIRMINGHAM	
484		BSMRALMA42E	BESS-MAIN	AL	BIRMINGHAM	
485		BRHMALCP85E	BHAM-CENTER PT	AL	BIRMINGHAM	
486		BRHMALEL83E	BHAM-EASTLAKE	AL	BIRMINGHAM	
487		BRHMALEN78E	BHAM-ENSLEY	AL	BIRMINGHAM	
488		BRHMALEW95E	BHAM-EASTWOOD	AL	BIRMINGHAM	
489		BRHMALFODS0	BHAM-FORESTDALE	AL	BIRMINGHAM	
490		BRHMALMT25E	BHAM-MAIN & TOLL	AL	BIRMINGHAM	
491		BRHMALMTDS1	BHAM-MAIN & TOLL	AL	BIRMINGHAM	
492		BRHMALTA84E	BHAM-TARRANT	AL	BIRMINGHAM	
493		BRHMALWLDS0	BHAM-WOODLAWN	AL	BIRMINGHAM	
494		BSMRALHTDS0	BESS-HUEYTOWN	AL	BIRMINGHAM	
495		BSMRALBPRS0	BESS-BIRMINGPORT	AL	BIRMINGHAM	
496		MNTVALNMDS0	MONTEVALLO	AL	BIRMINGHAM	
497		PNSNALMADS0	PINSON	AL	BIRMINGHAM	
498		WRRRALNMDS0	WARRIOR	AL	BIRMINGHAM	
499		GRDLALNMRS0	GARDENDALE	AL	BIRMINGHAM	
500		GYVLALNMRS0	GRAYSVILLE	AL	BIRMINGHAM	
501		MOBLALAZ0GT/DS0	MOBL-AZALEA	AL	MOBILE	
502		MTVRALMARS0	MOUNT VERNON	AL	MOBILE	
503		CTRNALNMDS0	CITRONELLE	AL	MOBILE	
504		FRHPALMADS0	FAIRHOPE	AL	MOBILE	

	A	B	C	D	E	F
505		MOBLALAPDS0	MOBL-AIRPORT	AL	MOBILE	
506		MOBLALOS47E	MOBL-OLD SHELL	AL	MOBILE	
507		MOBLALPR45E	MOBL-PRICHARD	AL	MOBILE	
508		MOBLALSADS0	MOBL-SARALAND	AL	MOBILE	
509		MOBLALSEDS0	MOBL-SEMMES	AL	MOBILE	
510		MOBLALSFDS0	MOBL-SPANISH FT	AL	MOBILE	
511		BYMNALMARS0	BAY MINETTE	AL	MOBILE	
512		MOBLALSH34E	MOBL-SPRINGHILL	AL	MOBILE	
513		MOBLALSKDS0	MOBL-SKYLINE	AL	MOBILE	
514		BLFNALMARS0	BELLE FONTAINE	AL	MOBILE	
515		MOBLALBFRS0	MOBILE BAY FRONT	AL	MOBILE	
516		MOBLALTHRS0	MOBL-THEODORE	AL	MOBILE	
517		BTRGLABKDS0	BT.RG.-BAKER	LA	BATON ROUGE	
518		BTRGLAGWDS0	BT.RG.-GOODWOOD	LA	BATON ROUGE	
519		BTRGLAHRDS0	BT.RG.-HOOPER	LA	BATON ROUGE	
520		BTRGLAISCG0	BT.RG.-ISTROUMA	LA	BATON ROUGE	
521		BTRGLAMADS0	BT.RG.-MAIN	LA	BATON ROUGE	
522		BTRGLAOHDS0	BT.RG.-OAK HILLS	LA	BATON ROUGE	
523		BTRGLABSRs1	BT.RG.-BRUSLY	LA	BATON ROUGE	
524		ROGNLAMARS1	ROUGON	LA	BATON ROUGE	
525		BTRGLASBDS0	BT.RG.-SUBURBAN	LA	BATON ROUGE	
526		BTRGLASWDS0	BT.RG.-SHERWOOD	LA	BATON ROUGE	
527		BTRGLAWNDS0	BT.RG.-WOODLAWN	LA	BATON ROUGE	
528		DNSPLAMADS0	DENHAM SPRINGS	LA	BATON ROUGE	
529		LVTNLAMARS1	LIVINGSTON	LA	BATON ROUGE	
530		DNVLLAMADS0	DONALDSONVILLE	LA	BATON ROUGE	
531		PLQMLAMADS0	PLAQ-MAIN	LA	BATON ROUGE	
532		ZCHRLAMADS0	ZACHARY	LA	BATON ROUGE	

	A	B	C	D	E	F
533		ALBYLAMARS1	ALBANY	LA	BATON ROUGE	
534		SPFDLAMARS1	SPRINGFIELD	LA	BATON ROUGE	
535		CHTNSCDP82E	CHTN DEER PARK	SC	CHARLESTON	
536		ISPLSCISRS1	ISPL SLIS MA	SC	CHARLESTON	
537		CHTNSCDT72E	CHTN DIAL & TOLL	SC	CHARLESTON	
538		CHTNSCJM79E	CHTN JAMES ISLAND	SC	CHARLESTON	
539		FLBHSCMARS1	FOLLY BEACH MA	SC	CHARLESTON	
540		CHTNSCJN55E	CHTN JOHNS ISLAND	SC	CHARLESTON	
541		EDBHSCMARS1	EDISTO BEACH MA	SC	CHARLESTON	
542		SBRKSCSKRS1	SEABROOK-KIAWAH IS	SC	CHARLESTON	
543		CHTNSCLB55E	CHTN LAMBS	SC	CHARLESTON	
544		CHTNSCNO74F	CHTN NORTH	SC	CHARLESTON	
545		CHTNSCWA55E	CHTN WEST ASHLEY	SC	CHARLESTON	
546		MNPLSCES88F	MOUNT PLEASANT MA	SC	CHARLESTON	
547		SUVLSCMA87E	SUMMERVILLE MA	SC	CHARLESTON	
548		STGRSCMARS1	ST GEORGE MA	SC	CHARLESTON	
549		CLMASCSA60T/77E	CLMA ST ANDREWS	SC	COLUMBIA	
550		BTBGSCMA53E	BATESBURG MA	SC	COLUMBIA	
551		CLMASCDF78E	CLMA DUTCH FORK	SC	COLUMBIA	
552		CLMASCSW79E	CLMA SWIFT	SC	COLUMBIA	
553		CLMASCS CRS1	CLMA SOUTH CONGAREE	SC	COLUMBIA	
554		WCLMSCMARS1	AIRPORT	SC	COLUMBIA	
555		CHAPSCCLRS1	CHAPIN-LITTLE MT MA	SC	COLUMBIA	
556		CLMASCSN60T/25E	CLMA SENATE ST	SC	COLUMBIA	
557		CLMASCAR75E	CLMA ARDEN	SC	COLUMBIA	
558		CLMASCCH78E	CLMA CAMDEN HWY	SC	COLUMBIA	
559		CLMASCPARS1	CLMA PARKLANE	SC	COLUMBIA	
560		CLMASCSH77E	CLMA SUMTER HWY	SC	COLUMBIA	

	A	B	C	D	E	F
561		EOVRSCMARS1	EASTOVER MA	SC	COLUMBIA	
562		CLMASCSN79F	CLMA SENATE ST	SC	COLUMBIA	
563		CLMASCBQRS1	CLMA BECKMAN ROAD	SC	COLUMBIA	
564		CLMASCSU78E	CLMA SUNSET	SC	COLUMBIA	
565		KNVLTNMA84T/DS0	KNVL-MAIN	TN	KNOXVILLE	
566		GTBGTNMTDS0	GATLINBURG	TN	KNOXVILLE	
567		KNVLTNFCDS0	KNVL-FOUNTAIN CY	TN	KNOXVILLE	
568		KNVLTNMADS1	KNVL-MAIN	TN	KNOXVILLE	
569		KNVLTNHYHCG0	KNVL-YOUNG HIGH	TN	KNOXVILLE	
570		MSCTTNMTDS0	MASCOT	TN	KNOXVILLE	
571		SVVLTNMTDS0	SEVIERVILLE	TN	KNOXVILLE	
572		KNVLTNWH93T/DS0	KNVL-WEST HILLS	TN	KNOXVILLE	
573		CLTNTNMADS0	CLINTON	TN	KNOXVILLE	
574		KNVLTNBEDS0	KNVL-BEARDEN	TN	KNOXVILLE	
575		LKCYTNMADS0	LAKE CITY	TN	KNOXVILLE	
576		LNCYTNMADS0	LENOIR CITY	TN	KNOXVILLE	
577		GRNBTNMAARS5	GREENBACK	TN	KNOXVILLE	
578		LODNTNMARS5	LOUDON	TN	KNOXVILLE	
579		MAVLTNMADS0	MARYVILLE	TN	KNOXVILLE	
580		FIVLTNMARS5	FRIENDSVILLE	TN	KNOXVILLE	
581		TWNSTNMARS5	TOWNSEND	TN	KNOXVILLE	
582		OKRGTNMTDS0	OAK RIDGE	TN	KNOXVILLE	
583		MYVLTNMAARS0	MAYNARDVILLE	TN	KNOXVILLE	
584		NRRSTNMARS0	NORRIS	TN	KNOXVILLE	
585		OLSPTNMARS0	OLIVER SPRINGS	TN	KNOXVILLE	

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE INTERCONNECTION AGREEMENT)
 NEGOTIATIONS BETWEEN AT&T)
 COMMUNICATIONS OF THE SOUTH CENTRAL) CASE NO. 96-482
 STATES, INC. AND BELL SOUTH)
 TELECOMMUNICATIONS, INC. PURSUANT TO 47)
 U.S.C.)

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Eddy
cc: Creighton
David
Steve

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COMMONWEALTH OF KENTUCKY
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U.S.C.)	

ORDER

The Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996) ("the Act") was enacted to open all telecommunications markets to competition. See Conference Report, H.R. Rep. No. 458, 104th Cong., 2d Sess., at 113 (1996). Section 251 of the Act requires incumbent local exchange carriers ("ILEC") to negotiate in good faith with new entrants to the local exchange market. Section 252 permits the parties to those negotiations to petition a state commission to arbitrate unresolved issues. Subsection (b)(4)(C) states that the state commission "shall resolve each issue set forth in the petition and the response, if any, by imposing appropriate conditions as required to implement subsection (c) upon the parties to the agreement." Subsection (b)(4)(C) further requires the Commission to resolve the issues presented not later than nine months after the date on which the ILEC received the request for negotiations.

On May 6, 1996, AT&T Communications of the South Central States, Inc. ("AT&T") submitted its request for negotiations to BellSouth Telecommunications, Inc. ("BellSouth"). On October 11, 1996, AT&T submitted its petition for arbitration to this Commission. Subsequently, BellSouth filed its response. The parties have submitted

numerous documents, including prefiled testimony and exhibits, have met with Commission staff in an informal conference at the Commission's offices, and have participated in a formal hearing held January 6 and 7, 1997. Pursuant to the Act, the Commission's decision on the arbitrated issues is due on February 6, 1997.

On December 18, 1996, AT&T and BellSouth filed a joint motion ("Joint Motion") which (1) requested modification of the procedural schedule issued on October 21, 1996, and (2) sought to amend the petition and response to clarify that the parties seek resolution only of the unresolved issues listed in an attachment to the Joint Motion (the "Joint Issues List"). The Joint Motion was granted by Order dated December 23, 1996. Accordingly, only those issues cited in the parties' Joint Issues List are resolved in this Order.¹ The parties also requested they be required to submit, within 30 days of the Order resolving the disputed issues, best and final offers on each contract provision which is within the parameters of an issue on the Joint Issues List and upon which they remain unable to agree. The parties agree, see Joint Motion at 2, that the procedure requested is consistent with this Commission's obligations under the Act.

As the Commission stated in its December 23, 1996 Order granting the Joint Motion, the emphasis in the Act is on free negotiations between the parties. The procedure requested by the parties emphasizes such negotiation, with Commission assistance only when necessary. Consequently, the Commission will require the parties to submit for final decision their best and final offers on specific issues regarding which

¹ The Joint Issues List contains issues that remain open, issues that are partially resolved, and issues that are wholly resolved. This Order deals only with those issues which remain partially or wholly in dispute.

they remain unable to agree within 30 days of the date of this Order. Since, however, this Order resolves the broad questions presented, the Commission cautions the parties that the best and final offers submitted should differ only as to the finer points of the parties' disagreements.

I. RESTRICTIONS ON RESALE (PARTIES' ISSUES 1 AND 2)

The Commission has addressed restrictions on resale relative to BellSouth in Administrative Case No. 355² and Case No. 96-431.³ The decisions in those cases apply here unless specifically modified below. The discussion that follows addresses issues specifically raised by AT&T and BellSouth in this proceeding.

Grandfathered Services

AT&T requests that BellSouth offer grandfathered services for resale to any class of customers. BellSouth has agreed to make available grandfathered services for resale to those customers which are currently eligible to receive them. BellSouth's position is consistent with the FCC rules and past Commission decisions. Therefore, the Commission will allow resale of grandfathered services only to those customers currently eligible to receive them including those BellSouth customers who change from BellSouth to an alternative local exchange carrier ("ALEC").

² Administrative Case No. 355, An Inquiry Into Local Competition, Universal Service, and The Non-Traffic Sensitive Access Rate

³ Case No. 96-431, Petition by MCI for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale under the Telecommunications Act of 1996.

Contract Service Arrangements

AT&T contends that contract service arrangements ("CSAs") should be available for resale at the wholesale discounted rate. Furthermore, AT&T opines that CSAs are telecommunications services available to users who are not telecommunications providers as defined by the Act and therefore should be available for resale under Section 251(c)(4)(A). BellSouth states that CSAs are designed and implemented to meet competition from other carriers and, if BellSouth is forced to resell these offerings, they would be effectively removed from the competitive process. BellSouth also argues that, because the rates designed in the CSAs are competitively priced, they should not be subject to further discount.

CSAs generally constitute pricing and or packaging innovations regarding services offered pursuant to tariff rather than additional "services" in themselves. The Commission has decided in previous orders that CSAs, as such, will not be required to be made available for resale, and the Commission affirms those rulings here with the following clarification. CSAs will be available for resale at the contract rate with no discount applied if the underlying services are not contained in BellSouth's tariff. However, if the underlying services are contained in BellSouth's tariff, the reseller may purchase those services only at the wholesale discount off the tariffed price.

Promotions

AT&T requests that promotions of any duration be available for resale at the wholesale discounted rate. The Commission will not deviate from its previous decisions and will not require the resale of promotions of 90 days or less to resellers at the

wholesale discounted rate. The services promoted by BellSouth will, of course, remain available for resale at the tariffed rate less the wholesale discount. A competitor may offer any promotional incentive it wishes to respond to a BellSouth promotion.

Link-Up and Lifeline Service

The Commission has previously ordered that these services shall be available for resale to those customers that qualify for this service. Currently, Lifeline service is not available in Kentucky. AT&T may offer Link-Up service only to those customers eligible to receive them. AT&T is required to discount the Link-Up service by at least the percentage currently used by BellSouth. In addition, AT&T is responsible for applying to NECA to receive compensating funds as BellSouth currently does.

N11 and 911 Services

N11 services are not available in Kentucky. Therefore, this issue is moot. 911 services, which are purchased by numerous governmental entities in Kentucky, are telecommunications services available to users who are not telecommunications providers. Therefore, they shall be made available for resale at the wholesale discounted rate as outlined in Section 251(c)(4)(A) of the Act. The Commission reaffirms its previous decision on this issue.

State-Specific Mandated Plans

BellSouth does not currently offer any state-specific mandated discount plans to its customers in Kentucky. Consequently, this is not an issue at present. Should any discounted tariffs be required in the future, AT&T will be allowed an opportunity through the complaint process to present its argument for resale to the Commission.

Use and User Restrictions

AT&T requested that the Commission reconsider its decision on this issue reached in Case No. 96-431.⁴ In that case the Commission found that the general subscriber tariff of any ILEC should be the basis for the terms and conditions of resale offered to competitors.⁵ The basis for AT&T's request is paragraph 939 of the FCC's First Report and Order in FCC 96-325,⁶ which states that resale restrictions, including those in an ILEC's tariff, are presumptively unreasonable. AT&T also points out that paragraph 939 gives the ILEC the burden of proving that a proposed restriction is reasonable and nondiscriminatory. The Commission concurs with AT&T's position and will modify its decision in Case No. 96-431 to require that an ILEC must support its position that a particular tariff condition or limitation is reasonable.

Non-Recurring Charges

BellSouth argues that non-recurring charges should not be subject to the wholesale discount because they represent services that do not have any avoided costs. However, although individual services may have different levels of avoided costs, the wholesale discount rate is set at a composite rate for all services. Therefore, while some services may have more or less avoided cost, the wholesale discount rate appropriately

⁴ Case No. 96-431, Order dated December 20, 1996.

⁵ Id. at 7-8.

⁶ Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, First Report and Order, CC Docket No. 96-98 (August 8, 1996), ("FCC Order").

applies to all services subject to resale. Accordingly, the proper wholesale discount rate shall be applied to non-recurring charges.

II. APPROPRIATE WHOLESALE RATES
(PARTIES' ISSUES 21 AND 22)

In Case No. 96-431, the Commission established a composite wholesale discount rate of 15.1 percent. The decision was based upon the evidence filed by MCI and BellSouth. In this case AT&T has presented new information upon which the Commission has modified its previous analysis. The Commission's decision on the wholesale discount rate in Case No. 96-431 is the starting point for the adjustments that it will make in this proceeding.

In Case No. 96-431, the Commission treated uncollectibles as an indirect expense and calculated that 10.04 percent of this account would be avoided. In this proceeding, AT&T includes 100 percent of the uncollectible expenses in its calculation of the wholesale discount rate, while BellSouth proposes in its resale study to include 100 percent of uncollectible expenses as avoided. In its study based on the FCC Order, BellSouth followed the FCC methodology by including the uncollectible amount only as determined by the indirect allocation factor. However, BellSouth witness Reid testified at the hearing that it would be unreasonable to classify as BellSouth costs uncollectible costs incurred by resellers pursuant to sale of services to end-users.⁷ Since both parties are in agreement as to the level of avoidability of uncollectibles, the Commission will

⁷ Reid, Tr. Vol. 2, at 183-84.

adjust BellSouth's wholesale discount calculation to include 100 percent of the uncollectible expenses as avoided.

The Commission also will adjust the amount of revenues included in its study in Case No. 96-431 to reflect the inclusion of items that will be available for resale. In Case No. 96-431, the Commission mirrored the revenue number used by BellSouth in its wholesale discount studies. However this number is incorrect because BellSouth excluded revenues from CSAs, grandfathered services, non-recurring charges, and E911/911 service revenues on the basis that these items should not be available for resale. The Commission has, however, determined that these items should be available for resale and therefore includes these revenues in its calculations.

The Commission will also make an adjustment to reflect a change in the calculation of the indirect expense factor. AT&T correctly pointed out that the calculation of the indirect expense allocation factor should be computed by dividing directly avoidable expenses by total direct expenses, not total expenses. The Commission changes the calculation of the indirect factor by including only total direct expenses in the denominator.

The issues discussed above concern modifications to the study in Case No. 96-431. The following are Commission decisions regarding issues proposed by AT&T in this proceeding.

In its avoided cost study AT&T has included as avoided costs Accounts 6220, operator systems, and 6560, depreciation/amortization of operator systems. The company determined that the percent of avoided costs in these accounts should mirror

the percentage of avoided costs in the call completion and number services accounts as determined by the Commission in Case No. 96-431.

At paragraph 919 of the FCC's First Report and Order, the FCC determined that plant specific and plant nonspecific expenses are presumptively not avoidable with the exception of general support expenses. Accounts 6220 and 6560 are included in the group of accounts which are presumptively not avoidable. FCC Rule 51.609, "Determination of avoided retail costs," states that costs in these accounts may be treated as avoided retail costs only to the extent that a party proves to a state commission that specific costs in these accounts can be avoided. Accordingly, the burden of proof in this case lies with AT&T.

AT&T's assumption regarding the relationships between the referenced accounts does not, in the opinion of this Commission, meet that burden of proof. The company has not demonstrated that the percentage of avoided cost in Accounts 6621, call completion, and 6622, number services, also applies to Accounts 6220, operator systems and 6560, depreciation/amortization of operator systems. Neither has it provided other proof that the current assumption or any other assumptions regarding avoided costs that may reside in these accounts is valid and satisfies the burden of proof contemplated in the FCC's rules. Therefore, on the basis of the existing record in this case, the Commission rejects AT&T's argument that these accounts are 75 percent avoidable.

AT&T also proposes that 20 percent of BellSouth's costs in Accounts 6533, testing, and 6534, plant administration expenses, be deemed avoidable. These accounts

are nonspecific plant accounts and are therefore subject to the same restrictions as Accounts 6220 and 6560. AT&T's argument is based upon its estimate that approximately 50 percent of its overall testing and plant administration costs involve end-user testing and trouble shooting.⁸ Based on this estimate of activity, AT&T opines that 20 percent of BellSouth's costs in these accounts are avoided.⁹ AT&T notes that BellSouth provided no support for its position that none of the costs in these accounts are avoided and that BellSouth provides no response to AT&T's reasonable estimate that 20 percent of these costs will be avoided.

In denying AT&T's proposal to include 20 percent of the costs in this account as avoidable, the Commission again relies upon the FCC's final rules that put the burden of proof of avoidability on the ALEC. BellSouth is not required to establish that these costs are not avoidable. AT&T has not shown that its experience with these expenses as a long-distance carrier is necessarily comparable to BellSouth's experience with these expenses as an ILEC. Therefore, the Commission will not require that these accounts be considered in determining the wholesale discount rate.

Finally, AT&T proposes to classify as avoidable capital costs and taxes on capital related to general support assets. AT&T opines that if general support expenses are considered indirectly avoidable, then a portion of general support related investment should be also avoided. AT&T contends that the Commission has already found that BellSouth in fact will avoid certain investment costs and cites Appendix 1A of the MCI-

⁸ AT&T's Post-Hearing Brief, filed January 21, 1997, at 21.

⁹ Id. at. 21-22.

BellSouth Order in Case No. 96-431. AT&T includes \$5.010 million as avoided return and income taxes. However, Appendix 1A deals exclusively with operating expenses and does not include any investment costs.

The Commission has already deemed inappropriate AT&T's inclusion of operator system expense and depreciation in its avoided cost study; therefore, it is inappropriate to allow a return and tax component for operation systems in the study. AT&T's study also determines the return and tax component on gross telephone plant in service. However, the rate of return methodology used by this Commission determines a company's appropriate net operating income and resulting revenues and expenses on the basis of net telephone plant. AT&T's methodology is not consistent with that used by this Commission. The Commission will adhere to its usual methodology and will not include a return and tax component as an avoided cost in this arbitration.

Based upon the preceding analysis, the Commission determines that the appropriate overall wholesale discount rate is 16.26 percent as shown in Appendix 1. Consistent with its decision in Case No. 96-431, the Commission determines that a separate discount rate for residential and business services is appropriate and calculates these rates at 16.79 percent and 15.54 percent, respectively, as shown in Appendix 1A.

III. NOTICE TO WHOLESALE CUSTOMERS OF INTRODUCTION
OF NEW SERVICES, DISCONTINUANCE OF EXISTING
SERVICES, OR REVISIONS OF EXISTING SERVICES
(PARTIES' ISSUE 11)

AT&T states that it should receive notice of BellSouth's introduction of new services and discontinuance or revision of existing services at the same time BellSouth provides itself notice of such proposed changes. BellSouth has agreed to give 45-days'

notice. BellSouth also states that this issue has been resolved.¹⁰ However, the record does not indicate that the parties have reached agreement regarding AT&T's specific request that the Commission require BellSouth to notify resellers at least 45 days prior to the effective date of the change or concurrently with BellSouth's internal notification process, whichever is earlier.¹¹

The Commission will require BellSouth to provide 45-days' notice to AT&T of new services or the discontinuance or revisions of existing services. However, on a case-by-case basis, should 45-days' notice of a change appear inadequate, AT&T may petition the Commission for additional time prior to the implementation of the BellSouth service changes. If this matter has been resolved in a different manner than stated herein, the Commission will review the issue when the parties file their interconnection agreement.

IV. REAL-TIME AND INTERACTIVE ACCESS VIA ELECTRONIC INTERFACES (PARTIES' ISSUE 5)

AT&T requests electronic interactive access to perform pre-ordering; ordering; provisioning; maintenance/repair, and billing. BellSouth and AT&T seem to agree upon the broad issues involved but to disagree on the details.

The Commission recognizes the importance of real-time access in a competitive environment and agrees that BellSouth should provide this access. The FCC's target date

¹⁰ BellSouth Post-Hearing Brief, filed January 21, 1997, at 25.

¹¹ See AT&T Post-Hearing Brief at 40.

for such access was January 1, 1997.¹² Accordingly, BellSouth should, in good faith, attempt to provide the access as soon as possible. In the meantime, it must offer AT&T an interim solution. Permanent solutions should be available and should be implemented no later than June 30, 1997. The resultant costs incurred by BellSouth should be borne by the ALECs on a fairly apportioned basis. As competition develops, additional ALECs will be required to bear their portion of the costs.

The Commission addressed the issue of access to customer records in Case No. 96-440,¹³ and it adheres to that decision here. When customer information is withheld from an ALEC, a competitive disadvantage is created. To offer relief, the Commission has concluded that an ALEC's provision of a blanket Letter of Authorization to the ILEC shall be sufficient to allow the ALEC access to customer records.

V. PROPOSED REQUIREMENT THAT BELL SOUTH ROUTE
CALLS FOR OPERATOR SERVICES AND DIRECTORY
ASSISTANCE DIRECTLY TO AT&T'S PLATFORM
(PARTIES' ISSUE 6)

AT&T argues that direct routing is technically feasible and therefore should be provided in the resale environment. AT&T says BellSouth can provide this capability by using its Advanced Intelligent Network ("AIN"). AT&T asserts that Bell Atlantic has

¹² In FCC 96-476, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98 (December 13, 1996), Paragraph 11, the FCC stated it does not intend to initiate enforcement action against ILECs that do not meet the January 1 date but are making good faith efforts to provide the access "within a reasonable period of time, pursuant to an implementation schedule approved by the relevant state commission."

¹³ Case No. 96-440, Petition by MCI for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated Concerning Interconnection and Resale under the Telecommunications Act of 1996, Final Order dated December 23, 1996.

already agreed to provide this function through its AIN by April 1997. While AT&T acknowledges that switches provide only a finite number of line class codes, it argues that they can and should be allocated to new entrants on a "first come, first served" basis. AT&T also states that the Commission has already held, in Case No. 96-431, that BellSouth should brand all calls when offering services for resale where technically feasible. AT&T asserts that the technology required to brand calls and to route calls to a provider's operator services is the same since, in either case, there must be a way to distinguish AT&T customers from BellSouth customers.

BellSouth characterizes the requested capability as "local switching with selective routing" and argues that it is technically unfeasible. Citing the limited capacity of the switches, it argues, inter alia, (1) that line class codes for selective routing could not be offered to all ALECs and limitation would be unfair to carriers who did not receive the function; and (2) that exhaustion of the switch would restrict the service variations ALECs could offer as well as the ability of BellSouth to provide new services. BellSouth also says its existing AIN capabilities cannot provide the requested selective routing. However, BellSouth explains that it is seeking a solution and urges the Commission to deny AT&T's request at this time.

The Commission has already concluded, in Administrative Case No. 355,¹⁴ that it will not require ILECs to furnish resold tariffed services minus operator services. The Commission reaffirms that decision here, but notes that, if an ILEC and reselling ALEC

¹⁴ Administrative Case No. 355, Order dated September 26, 1996.

reach a mutual agreement in regard to such service separations, the Commission will accept this individual arrangement.

If, however, an ALEC provides service through unbundled elements, an ILEC shall provide routing for the ALEC's customers' calls for operator services and directory assistance. If an ILEC asserts that the service is not technically feasible, it bears the burden of proof before the Commission. BellSouth has not borne that burden in regard to the routing issue in an unbundled element environment.

VI. BRANDING (PARTIES' ISSUE 7)

As previously stated herein, the Commission does not require ILECs to furnish resold tariff services minus operator or directory assistance services, although if an ILEC and an ALEC agree to a wholesale rate for a service without operator services or directory assistance services, the Commission will accept their arrangement. If, on the other hand, an ALEC provides the service through purchase of unbundled elements, then the ILEC shall provide customized routing for 0+, 0-, 411, 611, and 555-1212 calls. If an ILEC asserts that customized call routing is not technically feasible, it has the burden of proving its claim.

AT&T argues that directory assistance service and operator services should be branded as it requests. BellSouth asserts that it is not required by the Act to brand operator or directory services on an individual brand basis, and that such branding is not technically feasible.

The FCC has concluded that where operator, call completion or directory assistance is part of a service or service package, failure of the ILEC to comply with

branding requests presumptively constitutes an unreasonable restriction on resale except in cases where it is not technically feasible.¹⁵ The ILEC should, however, be compensated for costs incurred in complying with branding requests by the carrier which made the request.

The Commission finds, therefore, that in those instances where branding of operator services is technically feasible, and where such branding is necessary for parity of service, it should be provided. However, the Commission will not require BellSouth to brand directory assistance for AT&T because it does not brand its own. Should BellSouth initiate branding of its directory assistance, it must also offer competitors the option to have their calls branded.

Where branding does take place pursuant to the terms described herein, BellSouth shall determine the additional cost it will incur to provide it and shall bill AT&T for such costs. AT&T or BellSouth may petition the Commission for resolution of any billing disputes.

VII. APPEARANCE OF AT&T ON BELL SOUTH'S DIRECTORY
(PARTIES' ISSUE 8)

AT&T argues its logo should be displayed on BellSouth's telephone directories as BellSouth's logo is displayed. However, this dispute is no longer at issue, since the Commission has already addressed it. By Order dated November 21, 1996, BellSouth Advertising Publishing Corporation ("BAPCO") was denied intervention in this proceeding. In that Order, the Commission noted that AT&T and other ALECs that have directory

¹⁵ See FCC Order, Paragraph 971.